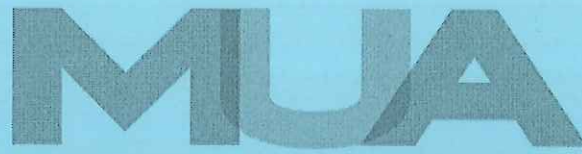


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/
BACHELOR OF COMMERCE

BML 301/ BCM 224: FINANCIAL MANAGEMENT

DATE: 13TH APRIL 2018

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **six (6)** questions.
4. Question ONE is compulsory.
5. Answer any other **THREE** questions.
6. Question one carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

- a) Give three reasons why financial forecasting is important. (3 marks)
- b) Identify and explain three methods used in financial forecasting. (6 marks)
- c) Identify any three ways by which conflict of interest may occur between managers and shareholders and explain how you will resolve the conflicts identified. (6 marks)
- d) Differentiate between discounting and compounding. (3 marks)
- e) Identify and explain any four sources of finance. (7 marks)

QUESTION TWO

- a) Ratios are broadly classified into five categories. Identify any four of those categories. (2 marks)
- b) List any three limitations of ratios (3 marks)
- c) The following information relate to Ocampo Enterprises. Use it to compute the ratios that follow.

Opening stock	15,000.00	Stock	16,000.00
Purchases	45,000.00	Debtors	10,000.00
Goods available for sale	Calculate	Cash at bank	14,000.00
Less: Closing stock	16,000.00	Short term marketable securities	2,000.00
Cost of sales	Calculate	Total current assets	Calculate
		Creditors	13,000.00
Cash purchases	5,400	Accruals	8,000.00
		Total current Liabilities	Calculate

- i) Current ratio (2 marks)
- ii) Quick acid/test ratio (2 marks)
- iii) Cash ratio (2 marks)
- iv) Stock turnover (2 marks)
- v) Stock holding period (2 marks)

QUESTION THREE

- a) If you invest Sh.12,000 today, how much will you have :

- i. In 6 years at 7%. (3 marks)
- ii. In 15 years at 12 %. (3 marks)
- d) How much would you have to invest today to get:
 - i. Sh.12, 000 in 6 years at 12%. (3 marks)
 - ii. Sh.8,000 in 5 years at 20% (3 marks)
- e) State any 6 stakeholders of a firm (3 marks)

QUESTION FOUR

- a) List and explain the determinants of working capital requirements of a firm. (5 marks)
- b) Explain five reasons why the management of working capital is important . (5 marks)

QUESTION FIVE

a) The following information relates to Mlolongoi Limited.

	Sh.000
Purchase of raw material	6,700
Usage of raw material	6,500
Sale of finished goods (all on credit)	25,000
Cost of sales(Finished goods)	18,000
Average creditors	1,400
Average raw materials stock	1,200
Average work in progress	1,000
Average finished goods stock	2,100
Average debtors	4,700

Assume a 360 days year.

Required

- i) Raw material conversion period. (2 marks)
- ii) Work in progress conversion period. (2 marks)
- iii) Finished goods conversion period. (2 marks)
- iv) Debtors conversion period. (2 marks)
- v) Creditors deferral period. (2 marks)
- b) Find the length of the operating cash cycle. (5 marks)

QUESTION SIX

- a) Define the term corporate governance (2 marks)
- b) List and explain five principles of corporate governance (10 marks)
- c) Name any three types of efficiency (3 marks)